

ABILENE RECREATION COMMISSION
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

ABILENE RECREATION COMMISSION

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INDEPENDENT AUDITORS' REPORT

To the Abilene Recreation Commission
Abilene, Kansas

We have audited the accompanying financial statements of the Abilene Recreation Commission, Abilene, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Abilene Recreation Commission management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the Abilene Recreation Commission has prepared these financial statements on the statutory basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The differences between the statutory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Abilene Recreation Commission, as of December 31, 2010, or the changes in its financial position for the year then ended. Further, the Abilene Recreation Commission has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the Abilene Recreation Commission as of December 31, 2010, and its cash receipts and expenditures, for the year then ended, on the basis of accounting described in Note 1.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
Abilene, Kansas
June 6, 2011

Pottberg, Gassman & Hoffman, Chtd.

ABILENE RECREATION COMMISSION

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 140,186	-	365,366	393,302	112,250	6,497	118,747
Special Revenue Funds:							
Employee Benefits	20,101	-	62,466	60,798	21,769	12	21,781
Total Government	<u>\$ 160,287</u>	<u>-</u>	<u>427,832</u>	<u>454,100</u>	<u>134,019</u>	<u>6,509</u>	<u>140,528</u>
Composition of Cash:				Checking Account			<u>\$ 140,528</u>
				Total Government			<u>\$ 140,528</u>

The notes to the financial statements are an integral part of this statement.

ABILENE RECREATION COMMISSION
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General Fund	\$ 500,666	-	500,666	393,302	(107,364)
Special Revenue Funds:					
Employee Benefits	78,575	-	78,575	60,798	(17,777)

The notes to the financial statements are an integral part of this statement.

ABILENE RECREATION COMMISSION

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2009)

	2009	2010		Variance -
	Actual	Actual	Budget	Over (Under)
<u>GENERAL FUND</u>				
Cash Receipts:				
Ad Valorem Tax	\$ 151,117	148,232	150,811	(2,579)
Motor Vehicle Tax	19,573	19,628	21,838	(2,210)
Liquor Control Tax	753	-	900	(900)
Interest	1,631	304	4,005	(3,701)
Donations	1,137	3,642	5,000	(1,358)
Administrative	5,720	4,547	11,700	(7,153)
Aquatics	78,102	88,698	83,500	5,198
Athletics	83,586	85,793	102,400	(16,607)
Community Education	9,346	6,495	8,000	(1,505)
Community Center	4,725	8,027	6,000	2,027
Miscellaneous Revenue	150	-	-	-
Total Cash Receipts	<u>355,840</u>	<u>365,366</u>	<u>394,154</u>	<u>(28,788)</u>
Expenditures:				
Administrative	156,045	170,408	200,225	(29,817)
Aquatics	62,875	74,035	70,000	4,035
Athletics	57,613	65,984	83,750	(17,766)
Community Education	8,063	6,257	10,650	(4,393)
Community Center	69,983	67,584	76,041	(8,457)
Special Projects	25,000	9,034	50,000	(40,966)
Capital Improvement	-	-	10,000	(10,000)
Total Expenditures	<u>379,579</u>	<u>393,302</u>	<u>500,666</u>	<u>(107,364)</u>
Receipts Over (Under) Expenditures	(23,739)	(27,936)		
Unencumbered Cash, January 1	163,925	140,186		
Unencumbered Cash, December 31	<u>\$ 140,186</u>	<u>112,250</u>		

The notes to the financial statements are an integral part of this statement.

ABILENE RECREATION COMMISSION

SPECIAL REVENUE FUNDS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2009)

	2009	2010		Variance -
	Actual	Actual	Budget	Over (Under)
EMPLOYEE BENEFITS				
Cash Receipts:				
Ad Valorem Tax	\$ 30,090	59,291	60,335	(1,044)
Motor Vehicle Tax	1,008	3,175	2,215	960
Total Cash Receipts	<u>31,098</u>	<u>62,466</u>	<u>62,550</u>	<u>84</u>
Expenditures:				
FICA	16,061	16,727	19,182	(2,455)
Workmans Comp	5,029	6,087	8,277	(2,190)
Unemployment	220	188	251	(63)
Health Insurance	22,867	26,495	36,886	(10,391)
Retirement	8,747	11,097	13,619	(2,522)
Athletic Contribution	360	204	360	(156)
Total Expenditures	<u>53,284</u>	<u>60,798</u>	<u>78,575</u>	<u>(17,777)</u>
Receipts Over (Under) Expenditures	(22,186)	1,668		
Unencumbered Cash, January 1	42,287	20,101		
Unencumbered Cash, December 31	<u>\$ 20,101</u>	<u>21,769</u>		

The notes to the financial statements are an integral part of this statement.

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **General Statement**

The accounting and reporting policies of the Abilene Recreation Commission (Commission) relating to the funds and account groups included in the accompanying financial statements conform to the cash basis and budget laws of the State of Kansas. Following is a summary of the more significant policies.

B. **Reporting Entity**

The Commission is authorized by K.S.A. 12-1901 under an agreement with Unified School District No. 435 to provide a system of public recreation and playgrounds. The governing body of the Commission consists of five members; two are appointed by USD No. 435, two are appointed by the City Commission of the City of Abilene, Kansas, and the fifth member is appointed by the first four members.

The Commission entered into an inter-local agreement with the City of Abilene, Kansas (City) on November 12, 1991 and updated this agreement with a Memorandum of Understanding on January 17, 2006 and December 19, 2007. Agreements include:

- The City will include the Commission's employees under the City compensation plan.
- All property acquired shall be titled in the name of the City.
- The Commission will budget an amount necessary to fund the programs.

The Commission amended its inter-local agreement with the City on December 19, 2007. As of August 18, 2008, all the Commission's funds were held by the City of Abilene.

C. **Fund Accounting**

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations. Certain funds contain restricted cash because their use is limited by debt covenants, statutory requirements, grant requirements or are held in a fiduciary or agency capacity.

The following types of funds comprise the financial activities of the Commission for the year of 2010:

Governmental Funds:

General Fund – The General Fund is the operating fund of the Commission. This Fund is used to account for all financial resources not accounted for in other funds and is therefore, unrestricted.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than special assessments, expendable trusts or major capital projects) that are restricted by law to expend for specified purposes. The Employee Benefits Fund is used to account for the proceeds of tax revenue that are legally restricted to expenditures for specified purposes.

The General Fixed Assets are owned by the City.

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Statutory /Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Commission to use the statutory basis of accounting.

E. Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance Sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of the fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital Assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

F. Budgetary Information

Kansas statutes require that an annual operating budget be adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- Preparation of the budget for the succeeding calendar year on or before August 1st.
- Publication in the local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. **Budgetary Information (Continued)**

body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or a contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds, capital project funds, and permanent funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body.

G. **Reclassifications**

Certain amounts in 2009 have been reclassified to conform with the 2010 presentation.

2. **DEPOSITS AND INVESTMENTS**

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

2. **DEPOSITS AND INVESTMENTS (CONTINUED)**

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the

State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated 'peak periods' when required coverage is 50%. The Commission has no designated 'peak period.' All deposits were legally secured at December 31, 2010.

At December 31, 2010 the carrying amount of the Commission's deposits was \$140,528. The bank balance is included in the total deposits of the City of Abilene. The City's balances were covered by Federal Depository Insurance and collateralized with securities held by the pledging financial institution's agents in the City's name.

The Commission had no investments in 2010.

3. **DEFINED BENEFIT PENSION PLAN**

Plan Description. The Commission contributes to the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERs (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% of covered salary for employees hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2010 is 7.14%. The Commission's employer contributions to KPERs for the years ending December 31, 2010, 2009 and 2008 were \$9,980, \$7,081 and \$6,493 respectively, equal to the required contributions for each year as set forth by the legislature.

4. **2009 FINANCIAL DATA**

The amounts shown for 2009 in the financial statements are included where practicable, only to provide a basis for comparison with 2010, and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Rounding variances may also exist between amounts reported for the 2009 calendar year in these financial statements and the amounts reported in the 2009 audited financial statements. In addition, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

5. **COMPENSATED ABSENCES**

The Commission's policy regarding vacation and leave allows employees to accumulate vacation and sick leave based on years of continuous service as follows:

Vacation Time:

Vacation leave is earned by the month. If an employee leaves, they are entitled to a payment of all accrued vacation pay earned prior to termination or resignation.

<u>Years of Continuous Service</u>	<u>Vacation Days Accrued (hours / year)</u>
0 – 10	80
10 – 20	120
20+	160

The dollar amount of accrued vacation at December 31, 2010 was \$9,851.

Sick Leave:

Sick leave is accrued at a rate of 8.0 hours per month for all employees, up to a maximum of 120 days (960 hours). Sick leave accumulated is not paid to employees except upon retirement or separation after twenty or more years of regular service, in which the employee shall receive payment for 25% of the unused sick leave – up to a maximum of one calendar month's salary.

The dollar amount of accrued sick leave at December 31, 2010 was \$0.00.

6. **SUBSEQUENT EVENTS**

The Commission's management has evaluated events and transactions occurring after December 31, 2010 through June 6, 2011, the date the financial statements were available to be issued.